

PUBLIC DISCLOSURE

March 12, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

COLONIAL CO-OPERATIVE BANK

6 CITY HALL AVENUE
GARDNER, MA 01440

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **COLONIAL CO-OPERATIVE BANK (or the "Bank")**, prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "HIGH SATISFACTORY"

The rating of this institution is established upon five performance criteria as shown in the public evaluation. Colonial Co-operative Bank's record of performance is based upon its efforts in meeting the criteria outlined in this report. A summary of the Bank's performance is provided below.

The Bank's net loan-to-deposit ratio has averaged 88.0 percent over the time period reviewed. This ratio is excellent good given the Bank's size, resources, financial condition and the credit needs of its assessment area.

During the period reviewed, the Bank originated 146 loans reportable under the Home Mortgage Disclosure Act ("HMDA") totaling \$17,674,000. Of these loans, 125 or 85.6 percent were originated inside the Bank's assessment area totaling \$15,117,000 or 85.5 percent of the total dollar amount of loans.

The Bank demonstrates a very good level of lending to retail customers of different incomes, including those of low and moderate-income. Colonial Co-operative Bank extended 16 HMDA reportable loans to low-income borrowers representing 12.8 percent of total originations within the assessment area. In addition, the Bank extended 40 loans to moderate-income borrowers representing 32.0 percent of the HMDA reportable originations inside the assessment area.

The geographic distribution of the Bank's HMDA reportable loans reflects a reasonable dispersion throughout the assessment area. Of the 125 HMDA reportable loans originated within the assessment area during the review period, 17 or 13.6 percent were granted in moderate-income census tracts and 86.4 percent were granted in middle-income census tracts.

Finally, there were no complaints received by the Bank pertaining to its CRA performance and the fair lending examination revealed no evidence of disparate treatment in the extension of credit. Fair lending policies and practices are considered satisfactory.

PERFORMANCE CONTEXT

Description of Institution

Colonial Co-operative Bank is a mutually owned state chartered institution, with its main office located at 6 City Hall Avenue in Gardner, Massachusetts. The Bank also operates two full-service branches located in Winchendon and Baldwinville which is a village located in Templeton. All office locations are equipped with Automated Teller Machines (ATMs). Banking hours are considered convenient and accessible to the Bank's customers.

As of the December 31, 2006 Federal Deposit Insurance Corporation's ("FDIC") Quarterly Call Report, the Bank had total assets of \$73,530,000. Total assets have grown by 3.0 percent since March 31, 2005. Of the total assets, \$54,597,000 or 74.3 percent were in the form of net loans. The largest share of the Bank's portfolio was residential real estate loans at 79.0 percent. Refer to the following table for a breakdown of the loan portfolio composition.

Loan Portfolio Distribution as of December 31, 2006	
Type of Loans	% of Total
Construction & Land Development	3.8
Residential Real Estate	
a. 1-4 Family Mortgages	76.9
b. Home Equity Lines (includes second mortgages)	2.1
Multifamily	4.5
Non-Farm Non-Residential	6.9
Commercial & Industrial Loans	2.0
Consumer Loans (includes single payment, installment, and student loans)	3.8
Total Loans	100.0

Source: FDIC Call Report, 12/31/06

Colonial Co-operative Bank operates in a highly competitive market. Local competitors include Barre Savings Bank, Athol Savings Bank, Fidelity Co-operative Bank, and North Brookfield Savings Bank, as well as a number of national banks and mortgage companies.

Other than the Bank's size, there appears to be no legal or financial impediments that would affect the Bank's ability to meet the credit needs of its assessment area. Based on the Bank's resources, product offerings, and branch network its ability to meet the assessment area's credit needs remains strong. The FDIC conducted the previous CRA examination as of August 9, 2004. That examination resulted in a "Satisfactory" rating. The Division last conducted a CRA evaluation on August 20, 2001. That examination also resulted in a "Satisfactory" rating.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its performance will be evaluated. The Division evaluates the institution's CRA Performance based upon the defined assessment area.

Colonial Co-operative Bank's main office is located in Gardner. The Bank's assessment area consists of the City of Gardner and the Towns of Winchendon, Templeton, and Royalston. Gardner is located fifty-nine miles northwest of Boston and sixty-one miles northeast of Springfield.

Accessibility to major highways includes Route 202 running north to south and Route 2 running east to west, through the Bank's assessment area. The area's commercial growth is centered in small local business districts in the town centers.

The assessment area is comprised of eight census tracts, three or 37.5 percent designated as moderate-income and five or 62.5 percent designated as middle-income. There are no low or upper-income census tracts in the assessment area.

Based on the 2000 U.S. Census data, the total population of the assessment area is 38,434 persons. Of the total population within the assessment area, 26.1 percent of the population resides in moderate-income tracts and 73.9 percent reside in middle-income census tracts.

There are 9,790 total families within the Bank's assessment area. The HUD-adjusted Median Family Income (MFI) for the Worcester MSA for 2005 and 2006 were \$70,400 and \$71,700, respectively. Using 2000 Census data, the breakout of families by income levels are as follows: 23.9 percent are low-income; 22.0 percent are moderate-income; 25.4 percent are middle-income; and 28.7 percent are upper-income. Approximately, 7.0 percent of the families live below the poverty level.

Housing units within the assessment area total 15,621, of which 9,402 or 60.2 percent are owner-occupied; 5,187 or 33.2 percent are rental units; and 1,032 or 6.6 percent are vacant. Of the owner-occupied units within the assessment area, 20.8 percent are in moderate-income census tracts and 79.2 percent are in middle-income tracts. Approximately, 81.1 percent of the total housing units are 1-4 family dwellings, while 16.9 percent are multi-family structures and 2.0 percent are mobile homes.

According to the 2000 Census, the median housing value in the assessment area is \$109,189. The Warren Group, by individual municipality, shows that median prices for all single-family homes sold in 2006 ranged from a low of \$146,625 in Royalston to a high of \$200,000 in Templeton.

The following table provides demographic and economic information pertaining to the Bank's assessment area.

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
<i>Geographic Income Category</i>	<i>Percentage</i>						<i>Median Home Value</i>
	<i>Census Tracts</i>	<i>Households</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>	
Moderate	37.5%	30.3%	30.9%	20.8%	47.5%	38.7%	\$97,793
Middle	62.5%	69.7%	69.1%	79.2%	52.5%	61.3%	\$111,890
Total of Median	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	\$109,189

Source: 2000 U.S. Census

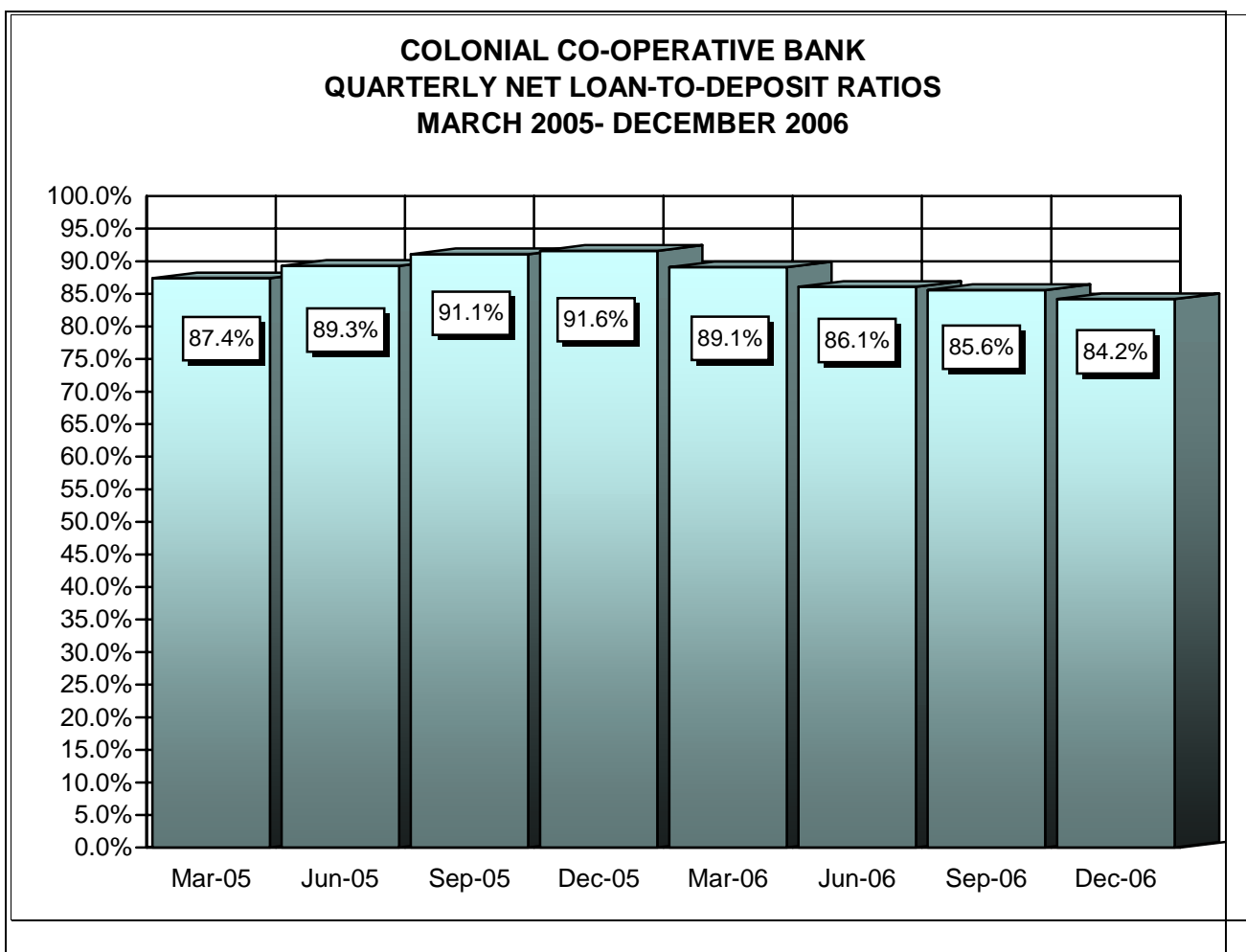
The examination includes aggregate data for residential mortgage lending performance purposes only, which constitutes both large and small mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased at least one residential mortgage and/or home improvement loan within the Bank's assessment area. The source of the information was obtained from PCI Services, Inc., CRA Wiz. There are 247 such lenders within the Bank's assessment area and the total number of originations/purchases was 3,423 during calendar year 2005.

Colonial Co-operative ranked 11th in market share for residential lending throughout its assessment area for calendar year 2005. There was only one local bank that ranked higher than Colonial Co-operative Bank. All others were large National Banks and Mortgage Companies.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

An analysis of the Bank's net loan to deposit ratio was performed. The calculation incorporated eight quarters of the Bank's net loans to total deposit figures as reflected in the Bank's quarterly FDIC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits. The quarters reviewed included the periods from March 2005 through December 2006. The Bank's net loan to total deposit ratio has averaged 88.0 percent over the eight quarters under review. A comparison of the dollar amount for the Bank's loans and deposits as of March 31, 2005 was compared to that of December 31, 2006. This comparison revealed that deposits have increased by 2.6 percent, while net loans for the same period have decreased by 1.1 percent. Refer to the following graph for further analysis.



A comparison of Colonial Co-operative Bank's net loan to deposit ratio to that of a representative selection of area financial institutions was also performed. As of December 31, 2006, Colonial Co-operative Bank's net loan to deposit ratio was 84.2 percent. The institutions chosen for this analysis either have a presence in Colonial Co-operative Bank's assessment area or, based upon FDIC Call Report Data, are of similar size and capacity. The data presented in the following table is as of December 31, 2006.

Institution	Net Loan to Total Deposit Ratios as of December 31, 2006
Fidelity Co-operative Bank	103.6%
Barre Savings Bank	90.1%
Colonial Co-operative Bank	84.2%
North Brookfield Savings Bank	69.2%
Athol Savings Bank	42.9%

Based on the above-described information, Colonial Co-operative Bank's net loan to total deposit ratio is very good and exceeds the standards for satisfactory performance in this criterion.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (\$)

An analysis of HMDA reportable lending extended both inside and outside of Colonial Co-operative Bank's assessment area for the period under review was performed. The following table illustrates the Bank's level of HMDA reportable lending by number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2005	71	83.5	8,756	83.7	14	16.5	1,709	16.3	85	100.0	10,465	100.0
2006	54	88.5	6,361	88.2	7	11.5	848	11.8	61	100.0	7,209	100.0
Total	125	85.6	15,117	85.5	21	14.4	2,557	14.5	146	100.0	17,674	100.0

Source: HMDA/ LAR 2005-2006.

As indicated in the table above, Colonial Co-operative Bank has granted a majority of its residential loans within its assessment area. This equates to 85.6 percent by number and 85.5 percent by dollar volume. Although these percentages are high, the Bank's overall HMDA reportable lending has decreased from 2005 to 2006. This decrease is attributed in part to the rising interest rate environment and strong competition within the assessment area. The Bank's level of lending within its assessment area is considered to be very good and exceeds the standards for satisfactory performance in the criterion.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of HMDA reportable lending within the Bank's assessment area, among various income levels review was performed to assess how well the Bank is addressing the credit needs of the area's residents. These loans were categorized by the applicant's reported incomes for 2005 and 2006 utilizing the HUD-adjusted Median Family Income (MFI) for the Worcester MSA which was \$70,400 and \$71,700, respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows the Bank's performance as well as the 2005 aggregate data (exclusive of Colonial Co-operative Bank) of HMDA reportable lending by number and percentage. In addition, the table also reflects the percentage of family households in each of the borrower income categories.

Distribution of Home Mortgage Loans by Borrower Income								
Median Family Income Level	% Total Family Households Per 2000 Census Data	2005 Aggregate Lending Data (% of #)	2005 Bank Data		2006 Bank Data		Total	
			#	%	#	%	#	%
Low	23.9	6.9	11	15.5	5	9.3	16	12.8
Moderate	22.0	26.3	22	31.0	18	33.3	40	32.0
Middle	25.4	32.1	18	25.4	17	31.5	35	28.0
Upper	28.7	18.2	15	21.1	11	20.4	26	20.8
NA	0.0	16.5	5	7.0	3	5.5	8	6.4
Total	100.0	100.0	71	100.0	54	100.0	125	100.0

Source: U.S. Census, HMDA/LAR, HMDA Aggregate Data

In 2005, Colonial Co-operative Bank's lending to low-income borrowers at 15.5 percent was well above the aggregate at 6.9 percent. In 2006, the Bank's lending to low-income borrowers decreased slightly to 9.3 percent. For 2005, the Bank's lending to moderate-income borrowers at 31.0 percent was above the aggregate at 26.3 percent. Overall, the Bank's record of lending to low and moderate-income borrowers was very good and demonstrates the Bank's willingness to lend to borrowers of all income levels.

Based on the above information, Colonial Co-operative Bank's loan distribution by borrower income exceeds the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of the geographic distribution of residential loans and a comparative analysis of 2005 HMDA aggregate data indicates that Colonial Co-operative Bank's loans are reasonably distributed throughout the Bank's assessment area. Based on the 2000 census data, Colonial Co-operative Bank's assessment area contains eight census tracts; three moderate-income and five middle-income tracts.

A review of HMDA reportable loans extended within the various census tracts contained within Colonial Co-operative Bank's assessment area was conducted to assess how well the Bank is addressing the credit needs throughout its assessment area. The following table presents the Bank's performance as well as the 2005 aggregate data (exclusive of Colonial Co-operative Bank) of HMDA reportable lending by percentage. In addition, the table also reflects the percentage of owner-occupied housing units in each of the census tract income categories.

Distribution of Home Mortgage Loans by Income Category of the Census Tract								
Census Tracts	% Total Owner-Occupied Housing Units	2005 Aggregate Lending Data (% of #)	2005 Bank Data		2006 Bank Data		Total	
			#	%	#	%	#	%
Moderate	20.8	21.3	8	11.3	9	16.7	17	13.6
Middle	79.2	78.7	63	88.7	45	83.3	108	86.4
Total	100.0	100.0	71	100.0	54	100.0	125	100.0

Source: U.S. Census, HMDA/ LAR, 2005 Aggregate Data

In 2005, Colonial Co-operative Bank's percentage of lending within moderate-income census tracts at 16.7% was below the aggregates at 21.3 percent. For calendar years 2005 and 2006, the Bank's lending within moderate-income tracts accounted for 13.6 percent. A substantial majority of the Bank's loans were originated in middle-income census tracts, which is to be expected since the majority of owner-occupied housing units are located in middle-income tracts. The Bank's performance is considered reasonable and meets the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

Colonial Co-operative Bank received no CRA related complaints in the period under review. The Bank has a satisfactory record of implementing fair lending policies and practices. The Bank maintains a Fair Lending Policy, which is incorporated within its Lending Policy.

A Fair Lending review was conducted for compliance with fair lending laws and regulations and no evidence of disparate treatment was detected. This review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Loan policies and procedures were reviewed as part of this evaluation.

Minority Application Flow

The Bank's assessment area is made up of 7 percent minorities. The 2005 and 2006 LARs show that Colonial Co-operative Bank received 137 HMDA reportable applications within its assessment area. Of these applications, 3 were received from minorities and all 3 were approved. Also included in the table is the 2005 aggregate data (exclusive of Colonial Co-operative Bank) in comparison to the Bank's data. Refer to the following table for information on the minority application flow as well as a comparison of the aggregate lenders throughout the Bank's assessment area.

MINORITY APPLICATION FLOW								
RACE	Bank 2005		2005 Aggregate Data		Bank 2006		Bank TOTAL	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	0	0.0	20	0.3	0	0.0	0	0.0
Asian	0	0.0	39	0.7	0	0.0	0	0.0
Black/ African American	0	0.5	88	1.5	0	0.0	0	0.0
Hawaiian/Pac Isl.	0	0.0	16	0.3	0	0.0	0	0.0
2 or more Minority	0	0.0	2	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	2	2.7	47	0.8	1	1.6	3	2.2
Total Minority	2	2.7	212	3.6	1	1.6	3	2.2
White	69	94.6	4,002	68.4	60	93.7	129	94.2
Race Not Available	2	2.7	1,640	28.0	3	4.7	5	3.6
Total	73	100.0	38,978	100.0	64	100.0	137	100.0
ETHNICITY								
Hispanic or Latino	0	0.0	168	2.9	0	0.0	0	0.0
Not Hispanic or Latino	68	93.2	3,942	67.3	60	93.7	128	93.4
Joint (Hisp/Lat /Not Hisp/Lat)	3	4.1	51	0.9	1	1.6	4	3.0
Ethnicity Not Available	2	2.7	1,693	28.9	3	4.7	5	3.6
Total	73	100.0	38,978	100.0	64	100.0	137	100.0

Source: US Census, HMDA/ LAR, 2005 HMDA Aggregate Data

The Bank's minority application flow for this period was compared with the 2005 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority credit applicants. The Bank did not meet expectations for lending to minorities within its assessment area as it fell well below the aggregate in all categories. The aggregate had 3.6 percent of its applications from racial minority applicants and 3.8 percent from ethnic minority applicants.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 6 City Hall Avenue, Gardner, MA 01440."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.